

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 FEA-01 SAJ-01

DODE-00 PM-04 H-02 L-03 NSC-05 PA-01 PRS-01 SS-15

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R 291336Z JAN 76

FM AMEMBASSY SOFIA

TO SECSTATE WASHDC 748

INFO AMEMBASSY BELGRADE

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AMEMBASSY BUCHAREST

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E.O. 11652: NA

TAGS: ECON, EFIN, BU

SUBJECT: INFLATION IN BULGARIA

REF: (A) SOFIA 2753 (NOTAL); (B) SOFIA 2717

1. DEPUTY CHIEF OF GENERAL PLAN DEPARTMENT, STATE PLANNING COMMITTEE, BORIS BUDINOV, GAVE EMBOFFS FOLLOWING INFORMATION CONCERNING INFLATION IN BULGARIA.

2. AS REGARDS USE OF TERMS "COMPARABLE PRICES" AND "CURRENT PRICES" IN 1976 PLAN (REFTELS), BUDINOV SAID

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FORMER WERE ESTABLISHED ACCORDING TO (UNDISCLOSED)

FORMULA TO PERMIT COMPARISONS OVER LONG PERIOD OF TIME INCLUDING PRE-WWII ERA. "CURRENT PRICES" ARE EXACTLY WHAT NAME DENOTES, BUT THEY HAVE BEEN STABLE FOR SEVERAL YEARS. WITHOUT EXPLAINING HOW FIGURE WAS ARRIVED AT, BUDINOV STATED RETAIL PRICE INCREASES OVER ENTIRE PERIOD OF SIXTH FIVE-YEAR PLAN HAD BEEN 0.3 PERCENT.

3. QUESTIONED HOW DOMESTIC RETAIL PRICES COULD REMAIN STABLE IN VIEW OF SUBSTANTIALLY INCREASING

COSTS OF IMPORTED ENERGY AND RAW MATERIALS, BUDINOV AT FIRST TOOK REGUGE IN USUAL EXPLANATIONS OF MAJORITY OF TRADE WITH SOVIET UNION AND BALANCED INCREASES IN PRICES OF EXPORTS AND IMPORTS, AS WELL AS INCREASED LABOR PRODUCTION AND EFFICIENCY IN RESOURCE UTILIZATION. FINALLY HE EXPLAINED THAT NO MATTER HOW MUCH IMPORT COSTS INCREASED, NECESSARY IMPORTED MATERIALS ARE SUPPLIED TO PRODUCTION FACILITIES AT CONSTANT, UNCHANGING PRICE.

4. COMMENT: THIS IS FIRST CLEAR STATEMENT WE CAN

RECALL AS TO BULGARIAN METHOD OF SUBSIDIZING RETAIL PRICES. ALTHOUGH BUDINOV WAS NOT SPECIFIC, IMPLICATION WAS THAT SUBSIDIZATION PROCESS IS HANDLED "UP FRONT" BY NATIONAL BANK. END COMMENT

THENBUDINOV CONCLUDED THIS PORTION OF CONVERSATION WITH VOLUNTARY COMMENT THAT ALTHOUGH HIS EXPLANATION OF GOB MEASURES TO INSURE RETAIL PRICE STABILITY MADE PROBLEM SOUND SIMPLEN "IT WAS IN REALITY MUCH MORE DIFFICULT."
HERZ

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, ECONOMIC CONDITIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SOFIA00208
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760035-0723
From: SOFIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976019/aaaaahhi.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 SOFIA 2753
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 31 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAR 2004 by KelleyW0>; APPROVED <17 MAY 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INFLATION IN BULGARIA
TAGS: ECON, EFIN, BU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006